



2004 Annual Report

Virginia Racing Commission



Credits

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COMMONWEALTH of VIRGINIA

Virginia Racing Commission

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February 5, 2005

TO: THE HONORABLE MARK R. WARNER, GOVERNOR OF VIRGINIA,
AND THE MEMBERS OF THE GENERAL ASSEMBLY

Pursuant to the provisions of the Code of Virginia Title 59, Chapter 29, Section 59.1-369 relating to horse racing with pari-mutuel wagering, it is my privilege and pleasure to submit herewith the 2004 Annual Report of the Virginia Racing Commission.

The pari-mutuel horse racing industry in Virginia represents an important segment of the Commonwealth's economy not only from the operations of Colonial Downs and its satellite wagering facilities, but also through the agribusiness activity represented by the breeding, training and related support activities for race horses throughout the Commonwealth.

On October 11, 2004, a new satellite wagering facility was opened in Vinton, the sixth facility in the network. In November, three referenda were passed—in Westmoreland, Henry and Scott counties—that will result in three new facilities opening in late 2005 or early 2006. Additional purse money generated at the new facilities will help provide more live racing days in future years at the New Kent racetrack for both thoroughbred and standardbred (harness) owners and breeders.

The Racing Commission remains committed to insuring the integrity of racing for its participants and patrons and appreciates the support it has received from the Administration and the General Assembly.

Respectfully Submitted,

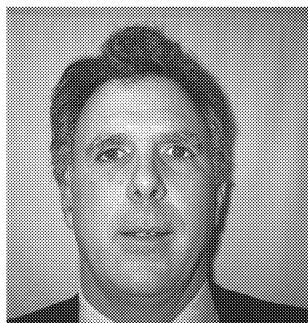
A handwritten signature in cursive script that reads "Stanley K. Bowker".

Stanley K. Bowker
Executive Secretary

Virginia Racing Commission



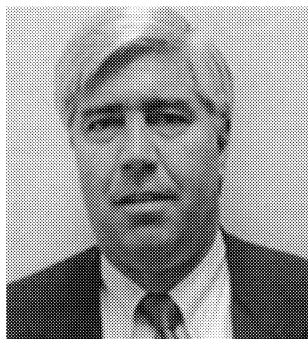
Chairman
Anne D. W. Poulson
Orange



Mark T. Brown
Palmyra



James G. Davis
Middleburg



Peter C. Burnett
Leesburg



Dr. George W. Rimler
Richmond

Staff

Stanley K. Bowker—Executive Secretary
David S. Lermond, Jr.—Director of Pari-mutuels
Marvin A. Sniegou—Director of Financial Management & Planning
Joseph M. Roney—Director of Operations & Enforcement
Kimberly M. Carter—Office Administrator
Dennis E. West—Operations Manager

Virginia Racing Commission

2004 Annual Report

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ACTIVITIES OF THE COMMISSION

Title 59, Chapter 29, known as The Racing Act,” became effective on January 1, 1989. It vested the Virginia Racing Commission with control of all horse racing with pari-mutuel wagering that is conducted in the Commonwealth. The Act was contingent on approval by Virginia voters at the 1988 General Election.

Horse racing with pari-mutuel wagering is permitted in the Commonwealth for “the promotion, sustenance and growth of a native industry, in a manner consistent with the health, safety and welfare of the people.”

The Racing Commission is vested with plenary power to prescribe regulations and conditions under which racing and wagering shall be conducted, so as to maintain horse racing in the Commonwealth of the highest quality and free of any corrupt, incompetent, dishonest or unprincipled practices and to maintain in such racing complete honesty and integrity.

The 2004 General Assembly amended The Racing Act to permit up to 10 satellite wagering facilities in the Commonwealth, an increase of four. In November 2004, Colonial Downs and the horse racing industry joined forces on five referenda that are required before a facility can be built in a community. Three of the referenda passed—in Westmoreland, Henry and Scott counties. Referenda in Manassas Park and Greene County did not pass.

In 2003, a new statute was enacted requiring the Commission to license and regulate advance deposit account wagering companies that have been operating in Virginia. As of December 31, 2004, one account wagering license had been granted to Colonial Downs’ PhoneBet and four additional license applications were on file with the Commission and approvals are still pending. Colonial Downs PhoneBet began operation on July 10, 2004. The total handle from account wagering was \$1,287,541. A total of 476 accounts were established during the year.

Total Pari-Mutuel Handle

<u>Year</u>	<u>Total Handle</u>	<u>Total Attendance</u>	<u>Racing Days*</u>	<u>Daily Average Attendance</u>	<u>Per-Capita Wagering</u>
1996	\$ 36,952,607	178,570	338	528	\$206.94
1997	95,094,161	578,831	840	689	164.29
1998	120,717,190	446,859	1,381	324	251.65
1999	121,324,249	544,744	1,351	305	222.72
2000	121,754,800	490,868	1,540	319	248.04
2001	123,879,396	511,856	1,445	354	242.02
2002	124,064,569	523,216	1,441	363	237.12
2003	130,382,875	552,632	1,534	360	235.93
2004	145,394,480	613,084	1,976	310	237.15
Total	\$1,019,564,327	4,440,660	11,846	375	\$ 229.60

*Includes live racing days and days of operation at satellite wagering facilities

TAX REVENUE

Revenue to the Commonwealth

Year	Commonwealth
1996	\$ 631,482
1997	1,595,802
1998	2,065,005
1999	2,090,137
2000	2,103,097
2001	2,150,599
2002	2,164,933
2003	2,280,446
2004	<u>2,556,126</u>
Total	<u>\$ 17,637,627</u>

Revenue to Localities

Year	New Kent	Chesapeake	Henrico	Richmond	Hampton	Brunswick	Vinton
1996	\$ 157,871	\$ 144,304	\$ 6,783	\$ 6,783	\$	\$	\$
1997	408,498	159,665	113,726	113,726	1,430	855	
1998	520,316	128,530	107,693	107,693	101,062	43,538	
1999	524,049	132,641	108,839	108,839	101,396	46,906	
2000	532,156	129,419	104,967	104,967	108,412	49,836	
2001	539,392	131,455	107,885	107,885	115,242	51,140	
2002	544,937	136,127	107,043	107,043	110,778	50,791	
2003	574,992	145,928	103,758	112,388	113,880	59,092	
2004	645,979	146,406	89,652	167,027	125,476	59,268	9,817
Total	\$4,448,189	\$1,254,475	\$ 850,346	\$ 936,351	\$ 777,676	\$361,426	\$ 9,817

Total Revenue

Commonwealth	\$17,637,627
Localities	<u>8,638,280</u>
Total	<u>\$26,094,259</u>

ABOUT COLONIAL DOWNS

It has been more than eight (8) years since the owners of Colonial Downs brought pari-mutuel horse racing to Virginia. Satellite wagering facilities were opened in Chesapeake and Richmond in 1996.

But it wasn't until September 1, 1997 that Colonial Downs staged its first live meet—30 days of thoroughbred racing. Harness racing joined the schedule in 1998 and since that time both breeds have run annual meets at the New Kent facility.

As stated in § 59.1-364 of the Code of Virginia, horse racing with pari-mutuel wagering is permitted in the Commonwealth for the promotion, sustenance and growth of a native industry. As a result, the stakeholders in Virginia have worked extremely well together to build the horse breeding and racing industries. Quality racing has always been the goal in Virginia as it strives to build upon the horse industry in the Commonwealth.

Now owned by Jeffrey and Richard Jacobs' Jacobs Entertainment, Colonial Downs has developed a reputation as the thoroughbred turf racing capital of the nation. Typically more than 80% of the thoroughbred races run at Colonial Downs are on the 180-foot wide Secretariat Turf Course, named after Virginia's famous Triple Crown winner.

The highlight of the thoroughbred season is the \$500,000 Virginia Derby, a race for some of the top three-year-olds in the country. A panel of experts reviews all stakes races run in the United States and has awarded the race a Grade 3 status for 2004 and 2005.

In 2004, the Virginia Derby was the highlight of Virginia's first Million Dollar Day, a day during which more than \$1,000,000 in purses were at stake.

Also in 2004, a Virginia record one-day pari-mutuel handle of \$3,084,466 was established on Virginia Derby Day. The previous mark of \$2,473,385 was set in 2003, indicative of the growth in popularity of Virginia Derby Day.

The standardbred (harness) industry has also tried to bring quality racing to the Commonwealth. Virginia was the host of the 1998 Breeders Crown races, harness racing's championship event. It was televised on ESPN.

Annually, the harness meet features a one-turn mile for most of its races. As a result a number of record times have been established in Virginia.

For four straight years, the attendance and pari-mutuel handle at the harness meets have shown increases. The highlight of the harness meet is a day filled with races to showcase Virginia bred or owned horses.

ABOUT COLONIAL DOWNS

For the horse racing industry in the state, 2004 was a very good year. Among the highlights are:

- The state-wide pari-mutuel handle set a record of \$145,394,480;
- A total of 613,084 attended the races at the track and satellite wagering facilities;
- A sixth satellite facility was opened in Vinton;
- Referenda were passed in Westmoreland, Henry and Scott Counties which will allow Colonial Downs to apply for three more satellite wagering facilities;
- One license to operate advance deposit account wagering in Virginia under the jurisdiction of the Commission was granted and four more applications are pending.

As a result of the efforts in 2004, horse racing in Virginia will be able to expand live racing days that is vital to the growth of the horse racing industry in the state.

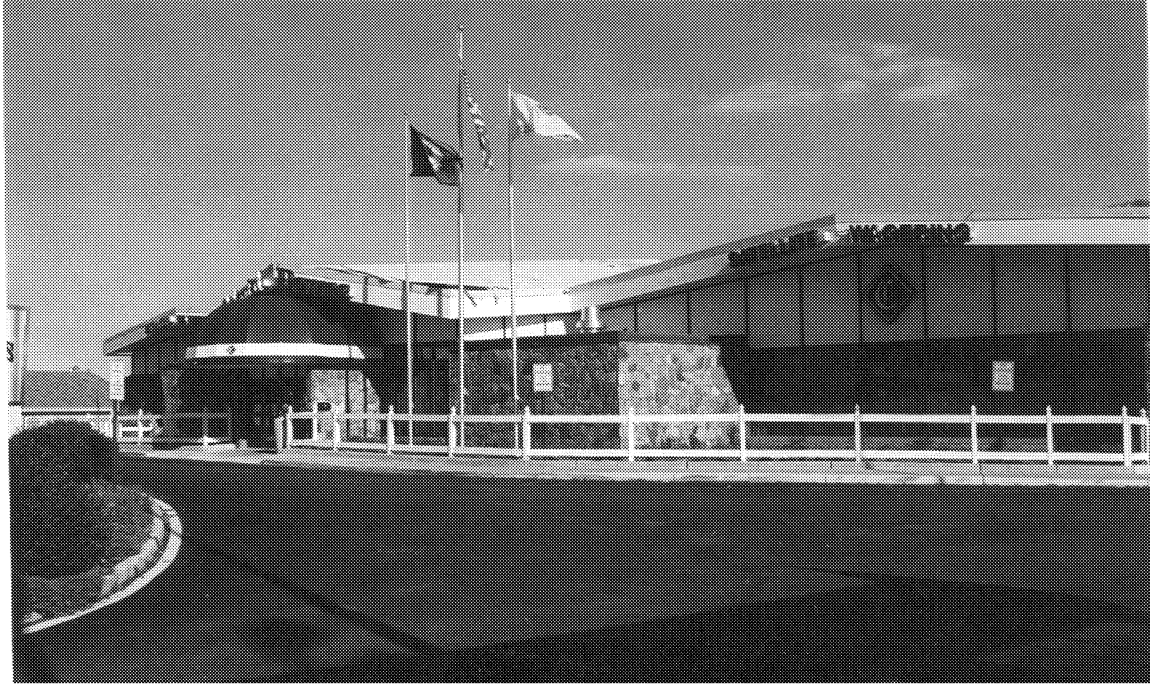
Live Thoroughbred Racing

	Daily Average On-Track Handle	Total Handle	Daily Average Total Handle	Daily Average Attendance	On-Track Per Capita
1997	\$183,594	\$28,182,006	\$ 939,400	3,620	65.71
1998	141,154	21,293,467	881,473	2,263	75.03
1999	107,881	23,420,243	975,854	1,628	87.50
2000	90,589	27,923,752	872,617	1,247	109.81
2001	117,818	27,579,707	1,103,188	1,940	85.48
2002	140,067	31,039,485	1,193,826	2,202	86.95
2003	140,305	36,090,262	1,203,009	2,193	86.30
2004	138,236	36,205,494	1,064,867	2,155	91.68

Live Harness Racing

	Daily Average On-Track Handle	Total Handle	Daily Average Total Handle	Daily Average Attendance	On-Track Per Capita
1998	\$56,661	\$7,260,770	\$ 172,875	1,379	56.21
1999	41,319	5,795,265	193,175	909	62.31
2000	19,270	5,903,010	147,575	258	148.76
2001	30,912	2,459,010	163,934	486	105.54
2002	30,860	3,716,853	154,869	478	117.01
2003	34,585	4,148,072	148,145	580	101.50
2004	40,361	5,815,294	181,728	645	92.65

RICHMOND SATELLITE WAGERING FACILITY



**4700 West Broad Street
Richmond, VA. 23230
20,000 Sq. Ft.**

The Richmond Satellite Wagering Facility is centrally located on Broad Street, which is one of the main thoroughfares in Richmond. The facility can accommodate up to 500 patrons with smoking and non-smoking preferences, one central main bar area, and teller lines for up to 23 tellers. The facility also has a VIP room with a full bar and tellers for patrons who prefer more privacy. The facility has parking capacity for 350 vehicles.

Statistics

Year	Number of Race Days	Daily Total Attendance	Daily Average Attendance	Total Handle	Average Handle
1996	21	17,403	829	\$ 3,391,418	\$ 161,496
1997	363	206,530	569	51,556,304	142,028
1998	363	178,841	493	50,183,501	138,247
1999	361	173,378	480	51,347,173	142,236
2000	361	162,921	451	49,096,147	136,000
2001	362	164,372	454	50,475,896	139,436
2002	360	159,222	442	49,986,746	138,852
2003	357	156,339	430	47,927,303	134,250
2004	362	123,682	342	40,821,803	112,767
Total	2,910	1,342,688	461	\$ 394,786,291	\$ 135,665

CHESAPEAKE SATELLITE WAGERING FACILITY



Chesapeake, VA 23323
15,000 Sq. Ft.

The Chesapeake Satellite Wagering Facility is centrally located on South Military Highway, which is 20 miles from Virginia Beach. The facility can accommodate up to 650 patrons with smoking and non-smoking preferences, one central main bar area, and teller lines for up to 22 tellers. The facility has parking capacity for 300 vehicles.

Year	Number of Race Days	Total Attendance	Statistics		Daily Average Handle
			Daily Average Attendance	Total Handle	
1996	317	161,167	508	\$ 33,561,189	\$ 105,871
1997	363	148,373	409	35,138,043	96,799
1998	363	114,682	316	28,929,078	79,694
1999	360	106,782	297	30,154,358	83,762
2000	362	100,405	277	29,663,510	81,943
2001	362	103,778	287	30,031,322	82,959
2002	361	100,937	280	30,816,019	85,363
2003	359	102,054	284	32,839,851	91,476
2004	363	98,618	272	32,771,667	90,280
Total	3,210	1,036,796	323	\$ 283,905,037	\$ 88,444

HAMPTON SATELLITE WAGERING FACILITY



**1909 Commerce Drive
Hampton, VA 23666
13,500 Sq. Ft.**

The Hampton Satellite Wagering Facility is centrally located on Commerce Drive near the Hampton Coliseum. The facility can accommodate up to 580 patrons with smoking and non-smoking preferences, one central main bar area, and teller lines for up to 16 tellers. The facility has parking capacity for 270 vehicles.

Year	Number of Race Days	Total Attendance	Statistics		Daily Average Handle
			Daily Average Attendance	Total Handle	
1997	7	1,651	236	\$ 327,811	\$ 46,830
1998	363	114,679	316	22,765,994	62,716
1999	361	103,945	288	23,298,797	64,540
2000	362	99,618	275	24,999,787	69,060
2001	362	99,718	275	26,083,186	72,053
2002	361	98,362	272	25,058,151	69,413
2003	358	95,064	266	25,947,756	72,480
2004	363	95,269	262	28,321,244	78,020
Total	2,537	708,306	279	\$176,802,726	\$ 69,690

BRUNSWICK SATELLITE WAGERING FACILITY



**24 Colonial Downs Place
Alberta, VA 23821
20,000 Sq. Ft.**

The Brunswick Satellite Wagering Facility is located two miles off Route 1 in Brunswick County, which is 15 miles from the North Carolina border. The facility can accommodate up to 400 patrons with smoking and non-smoking preferences, one main bar area, and teller lines for up to 10 tellers. The facility has parking capacity for 500 vehicles.

Year	Number of Race Days	Total Attendance	Statistics		Daily Average Handle
			Daily Average Attendance	Total Handle	
1997	14	1,460	104	\$ 226,146	\$ 16,153
1998	292	38,657	132	10,573,166	36,209
1999	269	27,925	104	11,404,545	42,396
2000	279	28,018	100	11,888,170	42,610
2001	265	24,821	94	12,085,136	45,604
2002	259	27,243	105	11,882,404	45,878
2003	292	28,548	98	14,094,878	48,270
2004	311	28,067	90	14,152,950	45,508
Total	1,981	204,739	103	\$86,307,395	\$ 43,568

SOUTH RICHMOND SATELLITE WAGERING FACILITY

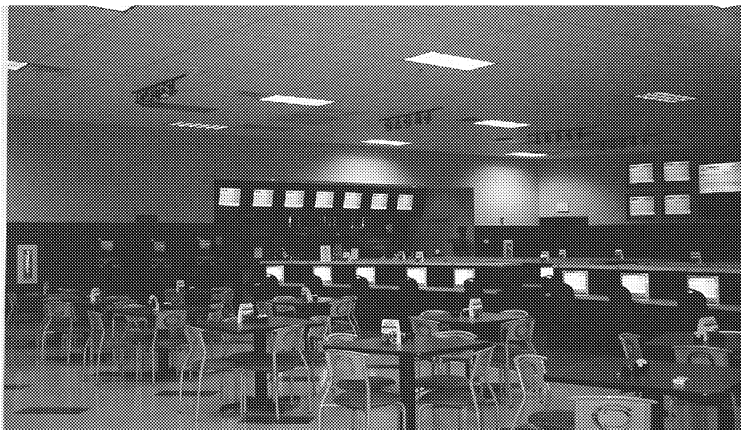


**6550 Hull Street Road
Richmond, VA
11,500 Sq. Ft.**

The South Richmond Satellite Wagering Facility opened on November 12, 2003. The facility can accommodate 300 patrons with seating for 180. Smoking and non-smoking areas are provided. The facility employs 45.

Year	Number of Race Days	Total Attendance	Statistics Daily Average Attendance	Total Handle	Daily Average Handle
2003	48	8,634	180	\$2,001,182	\$ 41,691
2004	361	64,479	179	17,832,357	49,397
Total	409	73,113	179	\$19,833,539	\$ 48,493

VINTON SATELLITE WAGERING FACILITY



**1135 Vinyard Road
Vinton, VA
14,600 Sq. Ft.**

The Vinton Virginia Satellite Wagering Facility opened on October 11, 2004. The facility can accommodate 450 patrons with seating for 260. Smoking and non-smoking areas are provided. The facility employs 45.

Year	Number of Race Days	Total Attendance	Statistics Daily Average Attendance	Total Handle	Daily Average Handle
2004	81	13,447	166	\$2,455,993	\$ 30,321
Total	81	13,447	166	\$2,455,993	\$ 30,321

Virginia Racing Commission
Statistical Sheet Colonial Downs Live Meet
Thoroughbred 2004 (34days)

DATE	Day	LIVE HANDLE	SIMULCAST HANDLE	Out of State HANDLE	Single Race	Live Richmond OTB	Live Chesapeake OTB	Live Hampton OTB	Live Brunswick OTB	Live Richmond So. OTB	TOTAL HANDLE	TRACK ATTEND	On TRACK PER CAP
11-Jun-04	Friday	152,740	69,515	691,356	-	12,962	8,827	8,229	6,144	6,239	956,012	1,976	112.48
12-Jun-04	Saturday	197,993	94,273	619,914	-	9,276	7,868	5,390	2,682	3,711	941,107	3,135	93.23
13-Jun-04	Sunday	157,558	54,993	685,529	-	10,437	6,732	6,197	2,378	5,577	929,401	2,367	89.80
14-Jun-04	Monday	72,398	21,349	1,105,074	-	10,409	5,185	6,615	1,043	6,667	1,228,740	650	144.23
15-Jun-04	Tuesday	68,571	17,105	972,868	-	10,739	4,723	4,535	-	3,702	1,082,243	819	104.61
18-Jun-04	Friday	91,339	53,325	553,993	-	9,146	3,982	5,811	1,287	4,658	723,541	1,565	92.44
19-Jun-04	Saturday	176,405	76,178	543,907	-	11,953	8,645	6,008	6,234	3,795	833,125	2,810	89.89
20-Jun-04	Sunday	180,542	63,514	477,723	-	9,591	5,932	4,848	1,304	4,471	747,925	3,392	71.95
21-Jun-04	Monday	75,302	30,333	1,127,673	-	10,062	4,887	5,770	617	6,796	1,261,440	673	156.96
22-Jun-04	Tuesday	96,967	33,047	1,186,010	-	10,798	5,963	5,332	-	4,578	1,342,695	1,037	125.38
25-Jun-04	Friday	106,092	59,096	586,929	-	14,910	6,079	6,925	767	4,969	785,767	1,421	116.25
26-Jun-04	Saturday	134,280	111,168	435,745	-	7,115	5,762	4,701	2,352	2,922	704,045	2,218	110.66
27-Jun-04	Sunday	159,576	53,388	762,799	-	11,547	10,470	6,836	2,779	4,773	1,012,168	2,595	82.07
28-Jun-04	Monday	62,341	21,626	889,550	-	5,870	6,256	5,395	2,390	4,130	997,558	645	130.18
29-Jun-04	Tuesday	90,373	26,471	974,046	-	13,658	5,542	4,999	-	5,105	1,120,194	936	124.83
2-Jul-04	Friday	116,842	49,923	759,367	-	10,962	6,402	7,429	2,467	6,169	959,561	1,608	103.71
3-Jul-04	Saturday	145,738	81,156	702,432	-	10,870	7,885	7,474	4,203	5,331	965,089	2,200	103.13
4-Jul-04	Sunday	227,623	128,762	557,396	-	9,683	7,827	4,908	1,626	3,300	941,125	6,130	58.14
5-Jul-04	Monday	66,454	42,297	556,722	-	5,770	4,904	3,793	1,650	3,419	685,009	1,096	99.23
6-Jul-04	Tuesday	69,896	25,811	1,278,862	-	9,826	6,859	6,627	-	7,448	1,405,329	718	133.30
9-Jul-04	Friday	142,049	64,553	736,496	-	13,190	6,030	6,190	1,270	4,101	973,879	1,945	106.22
10-Jul-04	Saturday	506,549	163,409	2,327,998	-	24,702	17,560	18,364	12,008	13,876	3,084,466	7,826	85.61
11-Jul-04	Sunday	168,110	64,877	728,182	-	13,320	9,371	5,117	6,367	5,021	1,000,365	2,688	86.68
12-Jul-04	Monday	72,706	31,835	947,312	-	8,779	4,259	6,134	978	3,522	1,075,525	728	143.60
13-Jul-04	Tuesday	76,895	24,694	897,151	-	9,716	3,911	4,693	-	4,359	1,021,419	971	104.62
16-Jul-04	Friday	132,077	56,217	773,818	-	15,015	9,185	8,035	3,809	4,624	1,002,780	1,982	95.00
17-Jul-04	Saturday	216,417	110,862	782,149	-	15,452	11,706	8,130	3,510	7,603	1,155,829	4,209	77.76
18-Jul-04	Sunday	139,750	70,585	527,582	-	10,204	5,881	5,090	1,719	6,210	767,021	2,597	80.99
19-Jul-04	Monday	79,701	24,240	1,091,681	-	7,721	4,964	5,223	1,913	3,276	1,218,719	1,095	94.92
20-Jul-04	Tuesday	102,482	25,384	1,212,197	-	10,921	5,060	6,650	-	3,145	1,365,839	1,184	107.99
23-Jul-04	Friday	132,719	55,795	694,214	-	12,684	7,940	6,536	1,638	4,803	916,329	1,866	101.03
24-Jul-04	Saturday	189,013	85,509	636,555	-	12,853	7,517	4,780	3,127	5,833	945,187	3,449	79.59
25-Jul-04	Sunday	146,649	70,061	541,411	-	12,113	6,639	5,381	2,323	4,643	789,220	2,890	74.99
26-Jul-04	Monday	145,879	56,243	1,037,682	-	8,574	3,402	8,400	2,513	4,149	1,266,842	1,849	109.31
TOTAL HANDLE		4,700,026	2,017,594	28,402,323	-	380,828	234,155	216,545	81,098	172,925	36,205,494	73,270	
PERCENT OF TOTAL		13.0%	5.6%	78.4%	0.0%	1.1%	0.6%	0.6%	0.2%	0.5%	100.0%	100.0%	
AVERAGE HANDLE		138,236	59,341	835,362	-	11,201	6,887	6,369	2,385	5,086	1,064,867	2,155	91.68
Average 2003		140,305	48,960	982,945	-	15,484	6,800	6,203	2,313	2,193	1,203,009	2,193	86.30
Average 2002		140,067	51,391	968,139	-	17,173	8,045	6,859	2,153	2,202	1,193,826	2,202	86.95
Average 2001		117,818	48,011	901,825	2,998	15,727	7,952	6,608	2,250	1,940	1,103,188	1,940	85.48
Average 2000		90,589	46,380	709,882	-	10,820	6,020	6,464	2,463	1,247	872,617	1,247	109.81
Average 1999		107,881	34,597	776,694	25,968	14,353	7,328	6,688	2,346	1,628	975,854	1,628	87.50
Average 1998		141,154	28,641	649,292	32,652	14,918	6,799	5,705	2,313	2,263	881,473	2,263	75.03
Average 1997		183,594	54,254	647,075	29,384	-	-	-	-	-	939,400	3,620	65.71

* Note: 1997 Average Total Handle Includes \$752,789 wagered at the OTB'S

**Virginia Racing Commission
Statistical Sheet Colonial Downs Live Meet
Harness 2004(32days)**

DATE	Day	LIVE HANDLE	SIMULCAST HANDLE	Out of State HANDLE	Single Race	Live Richmond OTB	Live Chesapeake OTB	Live Hampton OTB	Live Brunswick OTB	Live So. Richmond OTB	Live Vinton OTB	TOTAL HANDLE	TRACK ATTEND	On TRACK PER CAP
1-Oct-04	Friday	60,779	26,996	73,713	-	5,590	3,041	2,976	965	1,784		175,844	1,302	67.42
2-Oct-04	Saturday	40,977	16,853	72,745	-	5,903	5,183	4,306	621	2,791		149,379	714	80.99
3-Oct-04	Sunday	28,001	10,323	112,407	-	3,876	2,747	2,592	1,028	2,339		163,313	557	68.80
4-Oct-04	Monday	17,328	7,864	116,899	-	2,490	3,898	2,890	758	1,656		153,783	195	129.19
8-Oct-04	Friday	42,978	18,952	87,834	-	3,456	2,577	2,682	1,330	1,492		161,301	912	67.91
9-Oct-04	Saturday	57,620	20,774	62,253	-	3,766	2,620	2,830	1,028	2,543		153,434	1,190	65.88
10-Oct-04	Sunday	59,968	25,596	98,140	-	4,382	2,445	2,233	836	1,524		195,124	1,197	71.48
11-Oct-04	Monday	25,036	9,295	143,999	-	2,699	2,335	2,875	551	2,405	987	190,182	272	126.22
15-Oct-04	Friday	35,114	16,942	93,130	-	5,774	3,707	4,253	1,131	4,243	931	165,225	584	89.14
16-Oct-04	Saturday	35,789	13,601	62,679	-	3,156	2,148	3,700	530	3,038	676	125,317	726	68.03
17-Oct-04	Sunday	56,813	25,993	84,607	-	5,718	4,409	1,733	625	2,799	742	183,439	788	105.08
18-Oct-04	Monday	31,736	13,807	138,258	-	3,168	2,096	2,669	760	3,432	905	196,831	345	132.01
22-Oct-04	Friday	41,234	24,570	92,794	-	6,265	2,862	4,570	1,009	3,476	1,554	178,334	533	123.46
23-Oct-04	Saturday	42,309	14,143	122,790	-	4,931	3,835	2,785	2,809	3,895	895	198,392	733	77.02
24-Oct-04	Sunday	35,414	12,115	95,775	-	4,708	3,328	1,828	1,173	3,501	1,347	159,189	380	125.08
25-Oct-04	Monday	19,544	8,502	138,385	-	4,180	2,487	2,938	703	3,475	618	180,832	188	149.18
29-Oct-04	Friday	41,664	14,176	99,910	-	5,396	4,301	4,914	870	3,204	814	175,249	764	73.09
30-Oct-04	Saturday	57,209	111,299	112,127	-	4,007	4,356	4,544	2,186	3,113	1,417	300,258	1,013	166.35
31-Oct-04	Sunday	35,007	17,989	99,240	-	2,725	2,221	1,205	645	1,106	525	160,663	562	94.30
1-Nov-04	Monday	17,322	5,620	179,264	-	6,215	5,737	4,888	764	4,402	889	225,101	214	107.21
5-Nov-04	Friday	34,756	14,711	118,395	-	6,752	2,912	3,316	1,274	3,896	1,119	187,131	578	85.58
6-Nov-04	Saturday	58,695	25,711	106,690	-	5,529	4,175	3,577	1,467	3,687	857	210,388	920	91.75
7-Nov-04	Sunday	54,483	28,395	76,126	-	3,342	2,445	1,233	868	925	550	168,367	1,087	76.24
8-Nov-04	Monday	23,667	5,726	173,020	-	3,760	2,690	1,741	882	4,292	1,109	216,887	249	118.04
12-Nov-04	Friday	27,204	9,045	114,683	-	6,264	2,950	4,732	757	3,941	642	170,218	313	115.81
13-Nov-04	Saturday	47,880	25,477	105,038	-	4,612	2,838	3,460	2,562	4,156	423	196,446	702	104.50
14-Nov-04	Sunday	70,585	26,483	79,132	-	4,779	2,937	1,516	754	2,568	989	189,743	1,031	94.15
15-Nov-04	Monday	22,706	7,703	160,873	-	3,734	4,200	4,157	643	4,394	917	209,327	257	118.32
19-Nov-04	Friday	43,080	12,724	111,859	-	6,239	2,154	4,190	1,492	3,633	1,078	186,449	625	89.29
20-Nov-04	Saturday	51,570	16,633	77,770	-	3,737	1,846	2,558	1,201	2,799	543	158,657	747	91.30
21-Nov-04	Sunday	36,461	19,118	58,876	-	4,370	1,188	791	1,450	1,399	389	124,042	620	89.64
22-Nov-04	Monday	38,622	14,716	140,476	-	3,038	2,656	2,108	563	2,960	1,310	206,449	355	150.25
TOTAL HANDLE		1,291,551	621,852	3,409,887	-	144,561	99,324	96,790	34,235	94,868	22,226	5,815,294	20,653	
PERCENT OF TOTAL		22.2%	10.7%	58.6%	0.0%	2.5%	1.7%	1.7%	0.6%	1.6%	0.4%	100.0%		
AVERAGE HANDLE		40,361	19,433	106,559	-	4,518	3,104	3,025	1,070	2,965	889	181,728	645	92.65
Average 2003		34,585	24,306	76,407	-	5,725	3,063	2,876	753	3,003		148,145	580	101.50
Average 2002		30,860	25,076	87,200	-	4,844	3,567	2,778	545			154,869	478	117.01
Average 2001		30,912	20,416	99,760	-	5,406	3,807	2,895	736			163,934	486	105.54
Average 2000		19,270	19,180	97,269	-	5,473	2,907	2,820	655			147,575	258	148.76
Average 1999		41,319	15,344	123,587	-	5,840	3,798	2,805	483			193,176	909	62.31
Average 1998		56,611	20,892	89,668	5,705	-	-	-	-			172,875	1,379	56.21

Note: 1998 data for SWFS was not maintained

ABOUT THE BREEDERS' FUNDS

Funded by a 1% takeout of all wagering conducted in Virginia, funds have been established for both thoroughbred and standardbred horses, their breeders and owners.

For 2004, a record \$1,136,789 was generated for the thoroughbred breeders' fund bringing the nine-year total to \$7,904,694.

Most of the thoroughbred breeders' fund money is being distributed during the annual live meet at Colonial Downs, including a 40% bonus for Virginia-breds earning purse money in open competition.

Through 2004, Virginia also was the only state in the Mid-Atlantic region to pay breeders' awards for home-breds competing in four states—Virginia, Maryland, Delaware and West Virginia. A new program in 2005 will allot owners' awards for horses that win races anywhere in the United States.

Harness racing, both live and simulcasting, accounts for more than 20% of total wagering in Virginia. As a result, \$2,290,227 has been generated for the standardbred breeders' fund in the past nine years. In addition to a viable stakes programs, standardbreds also receive bonuses for placing in open competition.

The Racing Commission has contracted with the Virginia Thoroughbred Association to administer the thoroughbred breeders' fund program and the Virginia Harness Horse Association to manage the standardbred breeders' fund.

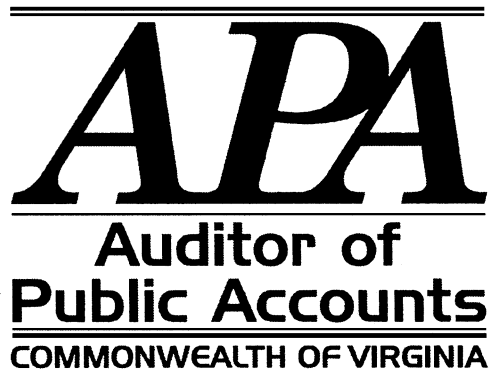
Breeders' Funds

<u>Year</u>	<u>Thoroughbred</u>	<u>Standardbred</u>
1996	\$ 263,517	\$ 105,288
1997	755,900	195,041
1998	917,484	289,688
1999	915,431	297,811
2000	942,714	274,834
2001	967,123	271,671
2002	970,555	270,091
2003	1,035,181	268,647
2004	1,136,789	317,156
Total	\$ 7,904,694	\$2,290,227

VIRGINIA RACING COMMISSION

NEW KENT, VIRGINIA

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2004**



AUDIT SUMMARY

Our audit of the Virginia Racing Commission for the year ended June 30, 2004, found:

- proper recording and reporting of transactions, in all material aspects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal controls; and
- no instances of noncompliance with applicable laws and regulations that are required to be reported.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

August 27, 2004

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
And Review Commission

Commission Members
Virginia Racing Commission

We have audited the accounts and records of the **Virginia Racing Commission** for the year ended June 30, 2004, and submit herewith our complete reports on the financial statement and compliance and internal control over financial reporting.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying Statement of Revenues Collected, Expenditures Paid, and Changes in Cash Balance - Budget and Actual - Special Revenue Funds of the Virginia Racing Commission for the year ended June 30, 2004. The financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statement of the Virginia Racing Commission is intended to present the results of its operations on only that portion of the financial reporting entity of the Commonwealth of Virginia that is attributable to the transactions of the Commission. The financial statement is presented on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and includes only the special revenue funds.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues collected, expenditures paid, and changes in cash balances of the Virginia Racing Commission as of June 30, 2004, on the basis of accounting described above.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statement of the Virginia Racing Commission for the year ended June 30, 2004, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The "Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting" is intended solely for the information and use of the Governor and General Assembly of Virginia, the Virginia Racing Commission, and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on September 30, 2004.



AUDITOR OF PUBLIC ACCOUNTS

WHC/kva

Virginia Racing Commission
Statement of Revenues Collected, Expenditures Paid, and Changes in Cash Balances
Budget and Actual – Special Revenue Funds
For the Year Ended June 30, 2004

	Total Budget Amount	Actual Breeder's Fund	Actual Operating Funds	Total Variance Favorable (Unfavorable)
Revenues:				
Taxes and pari-mutuel wagering	\$3,800,000	\$1,379,013	\$2,419,195	\$ (1,792)
Application fees	125,000	-	151,727	26,727
Fines and assessments	-	-	10,755	10,755
Interest	30,000	13,004	1,050	(15,946)
Total revenues	3,955,000	1,392,017	2,582,727	19,744
Expenditures:				
Personal services	899,496	-	752,230	147,266
Contractual services	371,405	-	398,558	(27,153)
Supplies and materials	10,000	-	10,456	(456)
Transfer payments	1,655,000	1,331,588	204,411	119,001
Continuous charges	29,000	-	45,143	(16,143)
Equipment	30,000	-	3,580	26,420
Total expenditures	2,994,901	1,331,588	1,414,378	248,935
Transfers out:				
General fund	930,100	-	1,157,594	(227,494)
Literary fund	-	-	10,755	(10,755)
Total transfers out	930,100	-	1,168,349	(238,249)
Excess of revenue over expenditures and transfers	29,999	60,429	-	30,430
Cash balance - June 30, 2003	860,082	859,082	1,000	-
Cash balance - June 30, 2004	\$ 890,081	\$ 919,511	\$ 1,000	\$ 30,430

VIRGINIA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENT

AS OF JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia Racing Commission controls all horse racing with pari-mutuel wagering in the Commonwealth and prescribes regulations and conditions for racing and wagering. The mission of the Commission is to maintain horse racing in the Commonwealth of the highest quality with complete honesty and integrity.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Commission is an agency of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

B. Fund Accounting

The accounts of the Commission are organized in accordance with the Commonwealth Accounting and Reporting System, which has been established to account for specified financial activities of the Commonwealth. Resources are allocated to and accounted for in individual funds based upon the financing sources. Each fund is an independent fiscal and accounting entity with a self-balancing set of accounts. For the financial statement, similar individual funds are combined into the following governmental fund type.

Special Revenue Funds - account for the proceeds of revenue sources that are legally restricted to expenditures for specific purposes. Special revenue funds are comprised of the following:

State Racing Operations Fund - accounts for revenues and expenditures relating to the operation and administration of the Commission.

Virginia Breeder Fund - accounts for the revenues and expenditures relating to the establishment of an award and incentive program to foster the industry of breeding racehorses in Virginia.

Fines and Assessments Fund - accounts for the revenues and expenditures relating to fines assessed.

C. Basis of Accounting

The accompanying financial statement is presented on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. The Commonwealth uses the cash basis of accounting to prepare its budget and to record revenues and expenditures on the Commonwealth Accounting and Reporting System. Under the cash basis, revenues are recognized when they are collected rather than

when earned. Expenditures are recognized under the cash basis when paid rather than when incurred.

D. Budgets and Budgetary Accounting

The Appropriation Act as enacted by the General Assembly of Virginia establishes the Commission's budget for the biennium ending June 30, 2004. No payments can be made out of the state treasury except in pursuance of appropriations made by law.

Budgeted amounts reported in the financial statement are amounts originally appropriated to the Commission as adjusted by subsequent appropriations authorized by the General Assembly.

2. CASH

The Treasurer of Virginia, pursuant to Section 2.2-1800 et.seq of the Code of Virginia, holds all state funds of the Commission. The Treasurer is responsible for the collection, disbursement, custody, and investment of state funds.

3. PENSION PLAN AND OTHER POST-RETIREMENT BENEFITS

Employees of the Commission are employees of the Commonwealth of Virginia. The employees participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance and health-related plans for retired employees. Information related to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report. The Commonwealth of Virginia, not the Commission, has the overall responsibility for contributions to these plans.

4. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Commission participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The Commission pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

5. VIRGINIA BREEDERS FUND

At June 30, 2004, the Virginia Breeders fund had a balance of \$920,511 to be used primarily for purse supplements for Virginia-bred horses.

6. CONTINGENT LIABILITIES

The Virginia Racing Commission is currently involved in litigation, which could result in judgments against them. Per the Attorney General of the Commonwealth of Virginia, the litigation is a result of the Commission's decision in the matter of a trainer's permit. The appellant seeks reversal of that decision, restoration of the purse, and attorney's fees. At the present time, it is not reasonably possible to estimate the ultimate outcome or liability of the Virginia Racing Commission with respect to these proceedings. If the appellant prevails and the Court awards attorney's fees, Code of Virginia §2.2-4030(A) places a \$25,000 limit on awarded fees.



Virginia Racing Commission

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